

Committee on Ways and Means

Bush Economy is Strong

For more than 18 months the U.S. economy has been exceptionally strong. Timely, pro-growth tax relief has strengthened the U.S. economy and helped Americans recover from the bursting of the stock market bubble in 2000 and the economic impact of the terrorist attacks of 2001.

Jobs

- **Employment** – The economy has created 1.9 million jobs since last summer. In 2004, 49 states have added new jobs and compared with a year ago, 46 states are reporting lower unemployment rates. Meanwhile, the national unemployment rate in September fell to 5.4 percent from 6.3 percent in June 2003. According to the Household Survey conducted by Bureau of Labor Statistics, more Americans are working today than ever before.

Economic Growth

- **The Gross Domestic Product (GDP)** – Between June 2003 and June 2004, the U.S. economy expanded at the fastest pace in 20 years, 5.0 percent. Growth in the last four quarters was 4.8 percent.

Housing

- **Homeownership** in America reached a record 69.3 percent in the second quarter of 2004.
- **Mortgage rates** – The 30-year mortgage rate averaged 5.7 percent in the week ending Oct. 21. This rate was 6.3 percent a year ago and averaged 8.1 percent in the 1990s.
- **Home Sales** – Existing home sales continue at a vigorous annualized pace of 6.75 million units. The median sales price of existing homes was up 8.6 percent from last year.

Retail Sales

- **Retail sales** jumped 1.5 percent in September and have increased 7.7 percent from the previous year. Consumers appear confident about the future and rising incomes are helping bolster sales.

Inflation

- **Inflation** remains low. In September the Consumer Price Index (CPI) increased just 2.5 percent from last year.

Economic Research on the Impact of President Bush's Tax Policy:

- **More Investment:** A quarter of firms surveyed are investing more in capital equipment as a result of the 50 percent bonus depreciation, according to a survey by the Philadelphia Federal Reserve.
- **Higher Consumer Demand:** Nearly \$25 billion in rebate checks sent out in the 2001 Tax Act directly stimulated the economy in terms of higher spending, according to a recent study by researchers at the National Bureau of Economic Research.
- **Increased Dividends:** "The data available to date strongly suggest that the 2003 tax reform induced a large, widespread set of firms to initiate regular dividend payments or raise the payments they were already making... Nearly 150 [publicly traded] firms have initiated dividend payments after the tax cut, adding more than \$1.5 billion to aggregate quarterly dividends," conclude economists at the University of California at Berkeley.